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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY

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SUBJECT: PROPOSED TERMS OF REFERENCE: NIE-XX: ESTIMATE ON
"CAPABILITY OF THE SOVIET BLOC FOR ECONOMIC WARFARE"*

THE PROBLEM

To appraise the capability of the Soviet Bloc to engage in various forms of economic warfare through 1955, and to estimate the effect which the exercise of that capability would have upon Bloc and Western** economic, political, and military strength.

ASSUMPTION

No general war during the period of this estimate.

* Economic warfare, for purposes of this estimate means those forms of political warfare which entail the use of economic pressures or inducements, regardless of whether the objective is primarily economic or primarily political.

** "Western" countries means, for purposes of this estimate, all countries outside the Soviet Bloc. Contributions should deal not merely with the West as a whole, but also with individual Western countries to the extent that the potential effect of Bloc economic warfare on the economies of those countries is individually important.

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QUESTIONS BEARING ON THE PROBLEM

I. Present Economic Relations Between the Bloc and the West

1. What is the present volume and commodity-and-service composition of trade between the Bloc and the West as a whole, and between the Bloc and principal individual Western trading partners? What recent trends appear in the volume, distribution, and composition of this trade?

2. To what extent does present trade between the Bloc and the West benefit the Bloc, by:

- a. Economizing Bloc resources through importation of goods and services from the West at a lower resource cost than that of producing the same goods within the Bloc, and at a lower resource cost than that of producing the goods exported to the West to pay for these imports?*
- b. Promoting the development of more complete economic and technological self-sufficiency in the Bloc?
- c. Securing other advantages for the Bloc?

(1) Political

(2) Intelligence

(3) Technological

* It is not anticipated that contributors would be asked to do any great amount of further work on 2-a or 3-a, in view of their coverage in contributions to NIE-59.

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3. To what extent are present Bloc exports dependant on imports of materials and equipment from the West?

4. To what extent does present trade between the Bloc and the West benefit Western countries, by:

- a. Economising Western resources (analogous to 2-a above)?*
- b. Providing markets for individual Western countries and thus facilitating the balancing of international accounts and the maintenance of employment in those countries?
- c. Securing other advantages for Western countries?

- (1) Political
- (2) Intelligence
- (3) Technological

5. a. In what ways is the Bloc now waging economic warfare against Western countries?
- b. In what ways are Western countries now waging economic warfare against the Bloc?
- c. What recent indications are there of any major shifts in Bloc and Western economic warfare tactics or strategy?

II. Bloc Capabilities for Economic Warfare

1. What increases in trade with the West could the Bloc achieve during the period of this estimate without jeopardizing its projected

program of industrial and military build-up? To what extent would the Bloc find it necessary to make drastic export price reductions in order to effect these increases?

2. What could be the net effect upon overall Bloc production, and upon Bloc military capabilities of such increases in trade, assuming:

- a. That the Bloc obtained in return from the West only those types of commodities now not under Western restriction?
- b. That the Bloc could obtain in return from the West any desired types of goods except military equipment?

3. What could be the effect of such increases in trade (under the various assumptions listed in (2) above), upon:

- a. The economic stability of Western countries?
- b. The economic development of Western countries?
- c. The military potential and readiness of Western countries?
- d. Solidarity of Western opposition to Communist political warfare?

4. What are Bloc capabilities for initiating and supporting programs of economic development in non-Communist countries? What effect on the political orientation of those countries could such Bloc aid have during the period of this estimate?

5. What are the Bloc's capabilities for repairing by further

restrictions of its trade with Western countries:

- a. The economic stability of Western countries?
- b. The economic development of Western countries?
- c. The military potential and readiness of Western countries?
- d. Solidarity of Western opposition to Communist political warfare?

6. What effect upon the Bloc's economic and military strength could result from the reductions in trade entailed in the exercise of the Bloc capabilities set forth under (2) above?

7. If Bloc economic programs should be revised to place greater emphasis on increased supply of consumer goods and services in the Bloc, how would this shift affect Bloc capabilities for trade with the West, and Bloc needs for such trade?

8. What are the Bloc capabilities, during the period of this estimate, for impairing Western economic stability by export of gold?

9. What is the significance, for Bloc economic warfare capabilities, of the following:

- a. State monopoly over foreign trade and exchange.
- b. Bloc readiness to employ unorthodox and illegal measures such as deliberate non-fulfilment or delay of contracts, counterfeiting of foreign currency, etc.